

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7051
BILL NUMBER: SB 441

NOTE PREPARED: Jan 15, 2003
BILL AMENDED:

SUBJECT: Insurance Prescription Drug Disclosure.

FIRST AUTHOR: Sen. Riegsecker
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires group health coverage programs for public employees, the Office of Medicaid Policy and Planning, accident and sickness insurers, and health maintenance organizations that use a multi-tier copayment policy for prescription drugs to maintain on an Internet web site:

- (1) a list of the prescription drugs;
- (2) the tier that applies to each prescription drug and any alternative to the prescription drug that is in the prescription drug category entered by the consumer;
- (3) the preferred drug in the drug category entered by the consumer; and
- (4) a definition of "prior authorization" and the policy concerning prior authorization.

Effective Date: July 1, 2003.

Explanation of State Expenditures: This bill requires that entities maintain a list of prescription drugs, associated copayments, the preferred drug in the category, as well as a definition of and policy regarding prior authorization. The provisions of the bill affect: (1) health insurers - accident and sickness policies, health maintenance organizations, and the state self-insured plan; and (2) the Office of Medicaid Policy and Planning.

Health Insurers and HMO's: The bill requires that health insurers, with the exception of Medicaid (see below), publish a list of prescription drugs and associated copayment amounts for a multi-tiered copayment system on their website. In addition, the insurers must list the preferred drug in the category, as well as a definition of prior authorization and the associated policies. This requirement may actually reduce

administrative costs for insurers, given the centralization of data and possible reduction in required customer service. This provision most likely would not increase state employee health premiums.

Office of Medicaid Policy and Planning (OMPP): This bill has two separate requirements for the Office of Medicaid Policy and Planning. The requirements are divided according to provider type. (1) For the risk-based managed care program, OMPP is required to maintain an online list of prescription drugs with corresponding copayment amounts, the preferred drug in the category, and a definition of and policy regarding prior authorization. (2) This bill requires that managed care organizations provide OMPP with a list of prescription drugs covered under the program, the copayment that applies to each, the preferred drug in the category, as well as a definition of prior authorization and the associated policies. OMPP shall maintain the information provided by managed care organizations on the Office's website. (Note: Managed care organizations cannot charge a copay under Medicaid, but may charge a copay under package C, the CHIP component.)

It is assumed that OMPP can administer the website given the current staffing and funding level at no additional cost. The FSSA currently has employees on staff that could implement the online posting of information.

Background Information: The current Medicaid copayment rule provides for a \$3.00 copayment for brand name legend drugs and \$0.50 for all other drugs.

Explanation of State Revenues:

Explanation of Local Expenditures: The provisions of this bill most likely will not lead to any premium increases.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning, All.

Local Agencies Affected: All.

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